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Country programme outline for Croatia (2004-2006)

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Introduction

1. The country programme outline (CPO) for Croatia was prepared using inputs from ongoing consultations with international, United Nations, national government and civil society partners, and is based on statistical information from national and other sources, including global and National Human Development Reports. Croatia has a limited United Nations presence and therefore has completed neither a common country assessment (CCA) nor a United Nations Development Assistance Framework (UNDAF).

I. Situation analysis

2. The effects of the war in the early 1990s which followed Croatia's declaration of independence have defined the path of the country's development since the cessation of hostilities.

3. After national elections in 2000, a new government took office which took steps to end Croatia's international isolation experienced in the immediate post-war period and to undertake democratic reforms. Despite political difficulties within the Government, which have affected the implementation of its agenda, Croatia has made significant strides towards a fully democratic and market-oriented society. Croatia has become a member of the World Trade Organization (WTO) and the Central Europe Free Trade Agreement (CEFTA) and, most recently, has formally submitted its application to join the European Union (EU). Compliance with the requirements for admission to the EU will dominate the country's political and development agenda for the next several years.

4. After experiencing a recession in 1999, Croatia's economy has demonstrated solid growth, with the gross domestic produ (GDP) increasing each year from 2.9 per cent in 2000 to well over 4 per cent in 2002 — one of the highest growth rates in the region (Croatia Human Development Report 2002). Successful monetary policy has resulted in low exchange rate volatility and only mild appreciation of Croatia's currency, the Kuna. Inflation has been successfully contained since the period of hyperinflation in the early 1990s, and has decreased from a level of 6.2 per cent in 2000 to 2.2 per cent in 2002. Croatia's human development index (HDI) and ranking has remained stable in recent years, moving slightly upwards from 49th place (.795) as reported in the *2000 Human Development Report* to 48th (.809) in 2002, thus for the first time placing Croatia in the category of countries having achieved a "high" state of human development.

5. Poverty is a little-researched phenomenon in Croatia, with the first study of poverty being undertaken only in 1998 by the Central Statistics Bureau and the World Bank. According to official statistics, poverty in Croatia is not as acute as in other countries of the region, with only 4 per cent of the population falling below the $4.30 per day threshold used for international comparison across transition economies. However, the Ministry of Labour and Social Welfare uses an unofficial national threshold of 15,474 Croatian Kuna per day, according to which approximately 10 per cent of the population are considered poor. Significantly, though, this figure does not include the Areas of Special State Concern, where poverty is more prevalent than in other areas. The Government is preparing a National Poverty Reduction Strategy which envisages a cross-sectoral approach to labour market reform, the employment system, social assistance, education and other areas.

6. The effects of conflict and structural and administrative reforms have contributed to elevated levels of unemployment in Croatia, which have remained high at around 15 per cent, according to ILO standards of measurement (23 per cent if the national standard is used, which includes unemployed persons not actively seeking a job), especially among state employees. Certain aspects of the proposed labour market reforms have also contributed to some degree of civil unrest marked by nationwide strikes by various public sector employee groups, and a breakdown in tripartite negotiations with trade unions.

7. The first post-war government was slow to implement democratic reforms, which has delayed progress in the development of a strong civil society. Despite some progress in recent years, the international community remains concerned about issues regarding restitution and housing rights of minorities, transparency of governance, and the independence of electronic media and the judiciary.

8. The process of demining and the return of refugees and internally displaced persons have been two of the most difficult issues to address since the end of the war, although significant progress has been made. Between 1991 and 1995, Croatia provided refuge for

over 600,000 internally displaced Croats and refugees from neighbouring Bosnia and Herzegovina. The Office of the United Nations High Commissioner for Refugees (UNHCR) reports that while many of these persons have returned to their homes, efforts continue to help others. Demining efforts, with the assistance of UNDP, have reduced the total land area containing mines or suspected of containing mines by over 50 per cent.

II. Past cooperation and lessons learned

9. The second country cooperation framework (CCF) for Croatia concentrated on two main thematic areas: (a) local governance and sustainable livelihoods in the war-torn areas; and (b) environmental governance and sustainable management of natural resources.

Local governance and sustainable livelihoods in the war-torn areas

10. The programme on economic revitalization and recovery in the designated Areas of Special State Concern was the centrepiece of UNDP activities under the second CCF. This effort has enabled the creation of 4,000 new jobs, provided access to credit for small businesses, and strengthened the institutional capacities for the promotion of regional economic development (resulting in the establishment of four Local Economic Development Agencies), and initiated the preparation of sectoral and regional development plans in order to provide comprehensive and integrated planning frameworks for decisions on priorities and resource allocation. Economic and business contacts across the borders were facilitated in order to capture regional development prospects as a contribution to normalization of the relations between the republics of the former Yugoslavia. Although the programme has been successful, it is clear that future success will depend on a clearer articulation of the lessons learned from this experience to ensure their incorporation into new policies and strategies for regional development. This is especially important considering that the institutional capacities of the Local Economic Development Agencies are still relatively weak.

11. The mine action programme contributed to the creation of a Mine Action Centre (CROMAC) able to conduct the services necessary to meet national expectations and international requirements. During the current CCF, the area of suspected minefields was reduced from 4,500 to 1,700 square kilometres. While CROMAC has become an internationally highly regarded mine action centre, its institutional strength and capacities need consolidation, with more attention to be paid to priority setting on the basis of clear social and economic criteria and decentralization of its operations and decision-making processes. Future capacity-development initiatives – in any area – must include an additional effort to ensure sustainability of capacities during changeover of management.

Environmental governance and sustainable management of natural resources

12. UNDP's policy advocacy work in assisting the Government in its preparations for negotiations regarding the Kyoto Protocol resulted in the implementation of a truly cross-sectoral participatory process in developing the first National Communication to the parties to the United Nations Framework Convention on Climate Change. This process has strengthened UNDP's credibility as a provider of policy advice, resulting in an invitation for UNDP assistance in the preparation of a National Strategy for Sustainable Development. Other initiatives under this CCF area, especially regarding energy efficiency and biodiversity, experienced delays in formulation and approval. However, the delays were utilized to broaden project scope and involve other partners, which ultimately improved the projects overall. These projects will feature prominently in the new country programme.

13. Among other lessons learned during the second CCF period are: (a) staff and national capacities for monitoring and evaluation of UNDP assistance have been less than desirable; (b) policy advocacy work has not been as prominent a feature of UNDP assistance as was intended; (c) the profile of UNDP as a development agency remains overshadowed by the image of the United Nations as a provider of security and the larger physical presence of other United Nations bodies such as UNHCR and the International Criminal Tribunal for the former Yugoslavia (ICTY). Monitoring and evaluation capacities will be addressed in the new country programme (described in greater detail in section IV below). With the success of UNDP intervention in the area of local economic revitalization, in Croatia's preparations for the United Nations Framework Convention, and as a result of a more active follow-up to the publication of the Croatia Human Development Report, policy advocacy efforts will be increased. Finally, the role of UNDP as the recognized central United Nations system provider of development services will increase with the closure of the United Nations Liaison Office (UNLO) and the Office of the United Nations High Commissioner for Human Rights, and the diminished presence of the UNHCR as the situation in Croatia shifts further from a post-conflict context to a development-oriented agenda. This

situation, combined with steps to enhance programmatic collaboration and policy advice, presents ample opportunity for UNDP to solidify its standing as a key development partner for Croatia, with an increased emphasis on donor coordination.

III. Proposed programme

14. The first two CCFs (covering the periods 1997-2000 and 2001-2003) supported activities which addressed urgent development concerns related to the conflict of the early 1990s. While Croatia's second CCF emphasized a transition from a post-conflict to a development-oriented agenda, the proposed country programme is rooted firmly in a development agenda which is also aligned with development needs that Croatia that must address as it pursues membership in the European Union.

15. The proposed programme seeks to deepen UNDP support in thematic areas in which it developed a comparative advantage during the previous programming period. This will be accomplished through increased interventions at the policy level which incorporate lessons learned from activities undertaken in the previous programme periods. Thus, UNDP will concentrate its support in three thematic areas: (a) capacity-building for good governance; (b) policy advocacy for human development and security; and (c) environmental management.

16. UNDP programming will emphasize participatory approaches to project development, monitoring and evaluation. Good governance practices will also be emphasized in its support for the contextualization of the Millennium Development Goals (MDGs) and the related reporting process, involving government and civil society counterparts, United Nations and other international partners. Linkages will also be established with the reporting requirements of the EU concerning social inclusion. Regional cross-border initiatives will be pursued where possible and in cooperation with the Regional Bureau for Europe and the CIS (RBEC) Regional Programme and Sub-Regional Resource Facility (SURF), as well as the country offices in Bosnia and Herzegovina, and Serbia and Montenegro.

Capacity-building for good governance

17. Much of UNDP support to Croatia during the past seven years was focused on local area development schemes, which were initially designed to facilitate the return and reintegration of refugees and internally displaced persons, but which transformed over time into more general economic revitalization programmes in areas, designated as Areas of Special State Concern. In this regard, UNDP has played the lead role in Croatia in supporting local economic development. Now that Croatia has resolved to address local and regional development concerns in all areas of the country, UNDP will provide policy advice to the local and central governments based on the lessons learned from its experience in the Areas of Special State Concern. Benefiting from the regional expertise accumulated in UNDP's Bratislava-based regional Resource Centre, a review and assessment of local development experience supported by external development partners will be conducted at the end of the current CCF period together with the Government, EU and other international partners, in order to provide key inputs to improved national strategies and approaches and guide UNDP's programme of support in this area.

18. Policy advocacy work will be complemented by the expansion of capacity-building initiatives at the local level which have proven successful. These include: training and facilitation of access to credit for small and medium-size enterprises; strengthening planning and managerial capacities for local development agencies; strengthening local governance through training initiatives in partnership with the International Labour Organization's DelNet programme; support for the development of constructive relationships between civil society and the Government and strengthening public-private relationships through UNDP's Global Compact initiative.

Policy advocacy for human development and security

19. Croatia's ambition to join the EU has reinforced the need to focus the economic and social agenda on development needs which in some cases are new to Croatia. The Croatia Human Development Report will continue to be the main vehicle for providing independent analysis and policy advice on important development issues. As part of UNDP's continuing support to this process, a multisectoral Advisory Board of leading Croatian researchers, civil society leaders and other professionals will be established not only to ensure high relevancy and quality of the sustainable human development analyses and policy recommendations provided in the issues covered by the Croatian Human Development Reports, but also to advise UNDP on potential areas for further programming.

20. UNDP will support the establishment of a system to increase awareness of and monitor Croatia's progress towards

the MDGs. To further strengthen the development of Croatia's civil society, support will be provided to a newly established NGO Foundation in its efforts to enhance the legal framework for NGO development and promote participatory planning at the local level. UNDP will cooperate with other United Nations agencies in the promotion of gender equality and human rights, and to contain the spread of HIV/AIDS through the provision of policy advice, training and other prevention measures.

Environment and sustainable development

21. UNDP will continue support to environmental protection and sustainable development begun under the current CCF period and pursue new initiatives which will promote cross-border cooperation and help to build local government capacities to incorporate environmental concerns into sectoral and regional planning processes. Through collaboration with the Global Environment Fund (GEF) and other partners, UNDP will work to maintain biodiversity in Croatia's islands and coastal areas, support cross-border watershed management in the Neretva valley, and promote energy efficiency as a means not only to contribute to greenhouse gas reductions, but also to promote public-private partnerships. UNDP will help Croatia to meet its commitments under the United Nations Framework Convention on Climate Change by strengthening national capacities for improved data collection and technology assessment. In addition, UNDP will provide assistance in the preparation of a National Strategy for Sustainable Development.

IV. Programme management, monitoring and evaluation

22. The National Execution (NEX) modality will be the main implementation modality for projects under the new country programme, especially as the programme increases its focus on policy advocacy. The country office will work to develop both staff and national capacities for NEX to promote more efficient project implementation with greater national ownership.

23. As part of this strategy to enhance national ownership of UNDP cooperation, new and stronger programme monitoring and evaluation mechanisms will be implemented in line with UNDP's revised Monitoring and Evaluation Framework. To strengthen monitoring activities, project steering committees comprised of relevant stakeholders will be established for all new projects. An annual review mechanism, involving international, government and civil society partners, will be established to review activities and evaluate progress of the country programme as a whole towards the outcomes identified in the Strategic Results Framework (SRF). In addition, the country office will work to strengthen national capacities to monitor Croatia's progress towards meeting the MDGs. Substantive and more frequent monitoring and evaluation of UNDP programming will help to reinforce UNDP's role as the lead United Nations development partner for Croatia, especially as the more widely recognized agencies (UNLO, UNHCR) have reduced or will reduce their presence in the country in the next few years.

24. The improved core resource situation for the new country programme will increase opportunities to use these resources as seed funding to attract additional non-core resources. Programmatic successes (especially economic revitalization) place UNDP in a strong position to play a lead role in coordination of assistance in these areas in the continuing process of implementing a more development-oriented agenda. A more detailed resource mobilization strategy, also reflecting a new relationship with the private sector, will be developed with national and international partners and in close cooperation with the Government during 2003.

25. Additional partnerships will be pursued through increased coordination with activities under UNDP's Global Thematic Trust Funds, the Regional Cooperation Framework for Europe and the CIS (especially in the areas of democratic and economic governance, HIV/AIDS through the United Nations Theme Group, and energy/environment), and the GEF. In the case of regional programming, this partnership will focus less on financial resource additionality and more on value-added cooperation to deepen and broaden UNDP support in the relevant areas.

Annex
Results and resources framework for Croatia (2004-2006)

Strategic areas of support	*Intended outcomes*	*Indicators for outcome or purpose*	*Outputs, including key output indicators, where needed*	*Resources (by strategic area of support/outcome or programme area) (in thousands of US dollars)*
SRF Goal: Creation of an enabling environment for sustainable human development				
Capacity of and partnerships between local authorities and civil society organizations (CSOs)	Local authorities and communities in rural and urban areas involved in planning and managing of development activities, including the provision of public services	Number of local and Regional Operational Plans (ROPs) completed involving CSOs using participatory planning methods *Baseline 2003*: Two ROPs for two counties *Target*: 4 additional plans	Training of trainers who will lead the process of formulation of the plans Training workshops in participatory planning	**Regular resources:** 288 **Other resources:** Government cost-sharing, third-party cost-sharing and Trust Funds 7 000
Efficiency and accountability of civil service	Improved capacity of the civil service to manage and promote economic and social development in an efficient, accountable and transparent way	Reduced levels of unemployment *Baseline*: 15 per cent (ILO methodology) *Target*: Bring the level of unemployment to 10 per cent (according to ILO unemployment)	Review and assessment of local development experience Recommendations for local and regional strategies Capacity-building for development and implementation of the strategy	
Public awareness and policy dialogue on sustainable human development (SHD)	Increased public debate on SHD Increased use by decision makers of SHD concepts in policy formulation and implementation Improved national capacity to monitor poverty and equality in accordance with the MDGs	Effective use of National Human Development Reports (NHDRs) to promote increased public debate on SHD and feed into policy change SHD concepts and issues reflected in government policies and statements National estimates of human and income poverty are regularly updated and disaggregated by gender and region, indicating progress towards the MDGs *Baseline*: Low visibility and utilization of NHDRs in policy dialogue and policy creation *Target*: Policy suggestions recommended in NHDR clearly reflected in national and regional policies Establishment of Croatia-relevant MDG targets and indicators	Round tables with NHDR authors and the media about specific issues dealt with in the report Round tables with NHDR authors and national and regional policy/ decision makers about specific issues dealt with in the report Launch of MDG public awareness campaign Capacity-building in statistics and data analysis	**Regular resources:** 150 **Other resources:** Government cost-sharing, third-party cost-sharing and Trust Funds 500
Comprehensive strategies to prevent the spread and mitigate the impact of	Institutional capacity built to plan and implement multisectoral strategies at the national and sub-national levels to	Participatory and multi-institutional coordinating mechanisms operating effectively *Baseline*: National Committee on HIV/AIDS just	Public awareness campaign implemented Capacity-building for improved data collection	

HIV/AIDS	limit the spread of HIV/AIDS and mitigate its social and economic impact	established *Target*: Multisectoral plan finished by 2005		
SRF Goal: Environmentally sustainable development to reduce human poverty				
Institutional framework for sustainable management and energy development	Improved capacity of national/sectoral authorities to plan and implement integrated approaches to environmental management and energy development	National Strategy for Sustainable Development completed *Baseline*: Government request for support in producing National Strategy for Sustainable Development *Target*: National Strategy for Sustainable Development finalized and approved by mid-2004	Establishment of cross-sectoral steering committee for development of National Strategy for Sustainable Development	**Regular resources:** 282 **Other resources:** Government cost-sharing, third-party cost-sharing and Trust Funds 8 000
	Global environmental concerns and commitments integrated in national development planning and policy	Croatia meets obligations under the United Nations Framework Convention on Climate Change *Baseline*: Weak data collection, archiving and managing systems. Weak institutional capacities for emission reporting *Target*: Croatia meets obligations under the Framework Convention by 2006	Regional Project "Capacity-Building for Improving the Quality of Greenhouse Gas Inventories" Climate Change Enabling Activity	
Regional cooperation and coordination in natural resources management and sustainable energy development	Improved regional capacity to coordinate and harmonize national policies and programmes of shared natural resources and sustainable energy development	Pilot programmes in operation to demonstrate multisectoral bioregional approaches to management of biodiversity and cross-border watershed areas *Baseline*: No coordinated regional strategies exist *Target*: Pilot projects in Neretva river valley implemented Improved energy efficiency of residential and service sectors *Baseline*: Significant institutional barriers to the promotion of energy efficiency *Target*: Barriers removed in one county as a pilot initiative	Assessment of capacity-building needs Capacity-building training to prepare plans and manage development through the introduction of integrated coastal ecosystem management techniques, tools and processes that address biodiversity concerns Enhance capacity of the local stakeholders to initiate and support the development and implementation of the energy-efficiency measures in service sectors Increased public awareness of technologies and their benefits Establishment of partial guarantee facility to leverage financing of energy efficiency investments	
				Total regular resources: 720 **Total, cost-sharing and trust funds:** 15 500 **Total** 16 220